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 FM AMEMBASSY KIGALI
 TO SECSTATE WASHDC 5003
 USDOC WASHDC
 INFO AMEMBASSY ABIDJAN
 AMEMBASSY BUJUMBURA
 AMEMBASSY KINSHASA
 AMEMBASSY NAIROBI
 AMEMBASSY DAR ES SALAAM
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E.O. 12356:N/A
 TAGS: ECON, EIND, ENRG, ETRD, MCAP, PINR, BTIO, EAID, RW
 SUBJECT: THE COST OF WAR - THE RWANDAN ENERGY CRISIS

1. THIS IS THE FIRST IN A SERIES OF CABLES ENTITLED,
 "ECONOMIC RECOVERY IN POST-WAR RWANDA - THE COST OF WAR"
 WHICH WILL LOOK AT SEVERAL SECTORS OF THE RWANDAN
 ECONOMY THAT HAVE BEEN HARDEST HIT BY THE WAR AND THE
 GOR'S EFFORTS TO REVITALIZE THEM.

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UNITED STATES DEPARTMENT OF STATE
 REVIEW AUTHORITY: JOHN L. MILLS
 DATE/CASE ID: 19 NOV 2002 200003723

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2. SUMMARY. RWANDA'S CURRENT ENERGY CRISIS IS DUE IN PART TO THE EFFECTS OF THE WAR ON THE ENERGY SECTOR. ALMOST ALL OF RWANDA'S POWER PLANTS ARE OPERATING AT LESS THAN 25 PERCENT EFFICIENCY BECAUSE OF DAMAGE TO PLANT EQUIPMENT AND LACK OF MAINTENANCE AND REPAIR DURING THE WAR. THE DELAY IN THE RAINY SEASON HAS RESULTED IN LOW RESERVOIR LEVELS THAT ARE AFFECTING HYDRO-ELECTRIC POWER PRODUCTION. LOCAL INDUSTRY HAS HAD TO CUT PRODUCTION LEVELS BECAUSE THE CURRENT ELECTRICITY RATIONING PLAN ONLY GUARANTEES POWER IN SIX HOUR ALLOTMENTS. THE GOR IS FOCUSING ON POLITICAL ISSUES AT THE EXPENSE OF THE ECONOMY BY NOT ADDRESSING INDUSTRY CONCERN WITH THE ENERGY CRISIS. END SUMMARY.

POWER PLANTS OPERATING AT LESS THAN 25 PERCENT CAPACITY

3. ONLY 19.8 MEGAWATTS (MW) OF RWANDA'S TOTAL ELECTRICAL POWER CAPACITY OF 51 MW ARE CURRENTLY BEING PRODUCED BY THE FIVE HYDROELECTRIC AND TWO THERMAL POWER PLANTS IN THE COUNTRY'S POWER GRID. RWANDAN INDUSTRY AND THE

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PRIVATE SECTOR AS A WHOLE, HOWEVER, NEED 38 MEGAWATTS. THIS GAP BETWEEN ENERGY SUPPLY AND DEMAND HAS FORCED ELECTROGAZ (THE RWANDAN POWER COMPANY) TO INSTITUTE AN ENERGY RATIONING PLAN THAT HAS HAD A SIGNIFICANTLY NEGATIVE IMPACT ON DAILY LIFE, ESPECIALLY ON THE LOCAL ECONOMY.

4. ALTHOUGH THE POWER SYSTEM WAS DESIGNED TO MEET ALMOST 12MW MORE THAN CURRENT NEEDS, NONE OF RWANDA'S POWER PLANTS ARE OPERATING AT FULL CAPACITY. AS DEPICTED IN THE CHART BELOW, ALL THE HYDRO-ELECTRIC PLANTS WITH THE EXCEPTION OF GIHIRA IN GISENYI ARE OPERATING AT LESS THAN 25 PERCENT OF THEIR FULL CAPACITY. RWANDA'S TWO THERMAL PLANTS, WHICH SUPPLY ONLY 6 PERCENT OF RWANDA'S POWER NEEDS, ARE OPERATING AT HALF THEIR CAPACITY.

HYDRO PLANT:	(A)	(B)	A/B PERCENTAGE
	PLANT CAPACITY (MW)	CURRENT PLANT OUTPUT (MW)	
NTARUKA	11.2 MW	0.0 MW	0

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MUKUNGWA	12.0 MW	3.0 MW	25
GIHIRA	2.0 MW	1.8 MW	90
RUZIZI I	28.2 MW (RS9.4)	3.5 MW	12
RUZIZI II	40.0 MW (RS13.3)	10.0 MW	25

(RWANDAN SHARE RS)

THERMAL PLANT:

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GATSATA		2.0 MW	1.0 MW	50	
GISENYI		1.1 MW	0.5 MW	45	
TOTAL		51.0 MW	19.8 MW	39	

THE BIGGEST LOSSES TO THE SYSTEM ARE THE NTARUKA POWER FACILITY NEAR RUHENERI IN THE NORTH (WITH IMPLICATIONS FOR THE POWER GENERATION CAPACITY OF MUKUNGWA) AND THE RUZIZI I AND II PLANTS.

PLANT OPERATIONS AFFECTED BY WAR AND THE LACK OF RAIN

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SUBJECT: THE COST OF WAR - THE RWANDAN ENERGY CRISIS

5. DURING THE RPF'S FEBRUARY OFFENSIVE EARLIER THIS YEAR, NTARUKA'S THREE MAIN TRANSFORMERS WERE BLOWN-UP. THE PLANT HAS REMAINED INOPERABLE SINCE MARCH. UNFORTUNATELY, THE MUKUNGWA POWER PLANT'S OPERATIONS WERE LINKED TO THOSE OF NTARUKA'S. WATER USED AT NTARUKA WAS CYCLED THROUGH THE PLANT AND RELEASED TO FILL MUKUNGWA'S WATER RESERVOIR. WHEN NTARUKA STOPPED OPERATING, MUKUNGWA'S WATER RESERVOIRS WERE NEVER HIGH ENOUGH TO ALLOW THE PLANT TO OPERATE AT MORE THAN 25 PERCENT CAPACITY.

6. AS FOR RUZIZI I AND II, ALTHOUGH BOTH PLANTS COMBINED COULD SUPPLY ALL THE POWER NEEDS OF RWANDA, THE PLANTS WERE DESIGNED BY COOPERATIVE AGREEMENT TO MEET THE COMBINED NEEDS OF RWANDA, BURUNDI, AND ZAIRE. UNFORTUNATELY, RUZIZI I, LOCATED IN ZAIRE, IS BADLY IN NEED OF REPAIR. THE GOR OFFERED TO ASSIST IN ITS REPAIR. UNFORTUNATELY, NEITHER COUNTRY IS CURRENTLY IN A FINANCIAL POSITION TO UNDERTAKE AND FUND THE OPERATION.

7. RUZIZI II IS LOCATED IN NORTHERN BURUNDI AND THE

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DELAY IN THE RAINY SEASON HAS MEANT THAT ITS WATER RESERVOIR LEVELS ARE TOO LOW TO PRODUCE ITS 40MW OF POWER. BEFORE SEPTEMBER, ZAIRE AND BURUNDI HAD AGREED TO ALLOW RWANDA TO CONSUME A LARGER SHARE OF THE POWER PRODUCED BY Ruzizi II. BUT RECENTLY THIS AGREEMENT WAS RESCINDED WHEN BOTH BURUNDI AND ZAIRE BEGAN TO FACE

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THEIR OWN ENERGY SHORTAGES AND NEEDED TO USE THEIR SHARE OF Ruzizi II'S OUTPUT.

8. IN ADDITION TO LOW WATER RESERVOIR LEVELS AT RWANDA'S OTHER HYDROELECTRIC PLANTS, LACK OF MAINTENANCE AT ALL PLANTS, INCLUDING THE THERMAL ONES, HAS ALSO REDUCED PLANT EFFICIENCY. MONEY THAT WAS NEEDED FOR BASIC REPAIRS AND GENERAL MAINTENANCE WAS DIVERTED TO THE WAR EFFORT OVER THE PAST THREE YEARS. THEREFORE, EVEN IF THE RAINY SEASON DOES BEGIN SOON, NONE OF THE PLANTS WILL BE ABLE TO OPERATE AT FULL CAPACITY BECAUSE THEY ARE BADLY IN NEED OF REPAIR AND SERVICING. CONSEQUENTLY, EVERYONE EXPECTS THE ELECTRICITY RATIONING TO CONTINUE THROUGH THE COMING YEAR.

LOCAL INDUSTRY IS BEING HURT BY THE RATIONING PLAN

9. THE CURRENT RATIONING SCHEDULE WAS DESIGNED TO ASSURE AT LEAST 6 HOURS OF ELECTRICITY TO ALL CONSUMERS. FOR EXAMPLE, KIGALI HAS BEEN DIVIDED UP INTO THREE ELECTRICITY CONSUMPTION AREAS. THEORETICALLY, EACH AREA SWITCHES OFF IN GETTING 6 HOURS OF ELECTRICITY TWICE MONDAY THROUGH SATURDAY; AND EVERYONE GETS ELECTRICITY ON SUNDAY. UNFORTUNATELY, THE PLAN HAS NOT BEEN FOLLOWED SO THAT SOME AREAS OF THE CAPITAL HAVE NO ELECTRICITY FOR ALMOST THE ENTIRE DAY WHEREAS OTHER AREAS (WHERE GOR OFFICIALS LIVE) LOSE POWER FOR ONLY 2-3 HOURS AT A TIME. THROUGHOUT THE COUNTRY, MANY PVO CONTRACTORS HAVE TOLD ECONOFF THAT THE SAME HAPHAZARDLY FOLLOWED RATIONING SCHEDULE EXISTS OUTSIDE OF KIGALI. THE ONLY ASPECT OF

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THE RATIONING PLAN THAT HAS BEEN RELIGIOUSLY FOLLOWED IS THE TURNING OFF OF ALL STREET LIGHTS AT NIGHT TO SAVE ENERGY, LEAVING MOST OF THE CITIES THOROUGHFARES IN TOTAL DARKNESS.

10. BECAUSE A GOOD PORTION OF THE LOCAL POPULATION IS NOT DEPENDENT ON ELECTRICITY FOR THEIR HOMES, THE HARDEST HIT BY THE RATIONING PLAN HAVE BEEN LOCAL BUSINESS AND INDUSTRY. ONLY GISENYI AND ITS INDUSTRIALISTS HAVE BEEN SPARED THE LOSSES ENGENDERED BY THE RATIONING SCHEME, SINCE GISENYI HAS ITS OWN LOCALLY DEDICATED THERMAL (GISENYI) AND HYDRO-ELECTRIC (GIHIRA) POWER PLANTS. (NOTE. GISENYI IS THE HOME AREA OF PRESIDENT HABYARIMANA. END NOTE.)

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11. AT A RECENT MEETING OF LOCAL BUSINESSMEN, CHAIRED BY THE MINISTER OF COMMERCE AND THE LOCAL UNDP REPRESENTATIVE, THE BUSINESS COMMUNITY WAS ASKED WHAT JOB OPPORTUNITIES IT COULD PROVIDE TO THE EXPECTED 30,000 DEMOBILIZED SOLDIERS. JEAN DE DIEU HABINEZA, THE SECRETARY GENERAL OF THE ASSOCIATION OF RWANDAN INDUSTRIALISTS, SPOKE FOR THE BUSINESS COMMUNITY BY SAYING THAT THE ENERGY CRISIS IS SEVERELY HAMPERING BUSINESS OPERATIONS. LOCAL INDUSTRY HAS HAD TO CUT BACK ON HOURS OF PRODUCTION BECAUSE THERE IS NOT ENOUGH ELECTRICITY TO KEEP MACHINERY RUNNING THROUGH A FULL PRODUCTION CYCLE. LOCAL INDUSTRY'S RESPONSE, THEREFORE, WAS THAT IT DOES NOT KNOW HOW IT CAN HELP IN JOB CREATION WHEN IT IS HAVING TO LAY OFF PEOPLE BECAUSE OF THE ENERGY SHORTAGES.

12. THE LOCAL REPRESENTATIVE OF UTEXRWA (THE RWANDAN TEXTILE FACTORY), ECHOING MR. HABINEZA'S REMARKS, TOLD ECONOFF THAT FOR THEIR INDUSTRY IN PARTICULAR, THE FABRIC MAKING PROCESS DEPENDS ON STEAM GENERATION. SINCE EACH SECTOR WITHIN KIGALI IS ONLY GUARANTEED ELECTRICITY IN 6 HOUR ALLOTMENTS, THEIR MACHINERY GETS HOT WITHIN THE ALLOTTED TIME BUT THEY CANNOT USE THE STEAM THAT IS GENERATED IN THEIR PRODUCTION PROCESS BECAUSE THE POWER IS THEN IMMEDIATELY SHUT OFF.

13. VERY FEW COMPANIES HAVE THEIR OWN GENERATORS. THE
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U.S. OWNED TEA PROCESSING FACILITY IN CYUNGO AND THE RWANDAN BREWERY IN GISENYI HAVE THEIR OWN GENERATORS AND HAVE CONTINUED TO OPERATE AT NEAR-NORMAL LEVELS.

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ACCORDING TO EACH FACTORY MANAGER, HOWEVER, RUNNING ON GENERATOR POWER IS VERY COSTLY. AT SOME POINT IN THE NEAR FUTURE, THE COSTS WILL BECOME TOO GREAT FOR OPERATIONAL PROFITABILITY IF THE ELECTRICITY RATIONING CONTINUES.

SOLUTIONS TO THE CURRENT CRISIS STILL UP IN THE AIR

14. THE ONLY SOLUTIONS CURRENTLY BEING DISCUSSED ARE TO MAKE THE NTARUKA PLANT OPERATIONAL AGAIN. THE GERMANS HAVE OFFERED TO PAY FOR THE NEEDED REPAIRS. THE GERMAN AMBASSADOR SAID THAT PAYING TO GET THE PLANT'S THREE TRANSFORMERS FIXED WAS A SMALL PRICE TO PAY WHEN COMPARED TO THE LARGE SUMS OF MONEY THEY HAVE INVESTED IN DEVELOPMENT PROJECTS THROUGHOUT THE COUNTRY. THESE PROJECTS ARE NOT MEETING THEIR GOALS BECAUSE OF THE LACK OF ELECTRICITY AT PROJECT SITES.

15. IN MID-SEPTEMBER, A GERMAN POWER PLANT EXPERT WAS SENT TO ASSESS WHAT TYPES OF PARTS WOULD BE NEEDED TO REPLACE THE DAMAGED EQUIPMENT AT NTARUKA. HE, ALONG WITH A GERMAN TECHNICAL ADVISOR WORKING WITHIN ELECTROGAZ, ESTIMATED THAT IT WOULD BE BETWEEN 6-9 MONTHS BEFORE THE PLANT COULD BE FULLY OPERATIONAL SINCE MANY OF THE NEEDED PARTS HAD TO BE SPECIAL ORDERED.

16. TO DATE, HOWEVER, NO AGREEMENT HAS BEEN SIGNED WITH

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THE GOR TO BEGIN REPAIRS. ALTHOUGH THE GERMAN EMBASSY WILL NOT CONFIRM THE RUMORS, VARIOUS MEMBERS OF THE BUSINESS COMMUNITY HAVE HEARD THAT THE MINISTRY OF COMMERCE ASKED THE GERMANS TO PROVIDE ONLY THE MONEY TO FIX THE PLANT. THE MINISTER OF COMMERCE SAID THAT THE GOR WOULD DO THE REPAIRS ITSELF. THE GERMANS, HOWEVER, ARE NOT WILLING TO RELEASE ANY MONEY IF THEY DO NOT HAVE TECHNICAL CONTROL OVER HOW IT IS USED.

17. THE FRENCH THROUGH THEIR DEVELOPMENT BANK AND THE EEC EUROPEAN INVESTMENT BANK (EIB) HAD ALSO OFFERED TO ASSIST IN THE REPAIR OF THE NTARUXA PLANT. WHEN NO

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AGREEMENT WAS SIGNED BETWEEN THE GERMANS AND THE GOR IN
EARLY SEPTEMBER, THE FRENCH OFFERED TO PAY FOR PART OF
THE PROJECT WITH THE GERMANS IF THE GOR WOULD AGREE TO
NEW TERMS FOR THE FRENCH-GERMAN BID. THE EIB, HOWEVER,

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HAS RECENTLY STEPPED IN AND OFFERED TO FINANCE THE WHOLE REPAIR PROJECT ON ITS OWN, WITH EIB REPRESENTATIVES ASSERTING THAT THE BANK WOULD BE BETTER POSITIONED TO PROVIDE THE FINANCING FOR THIS TYPE OF PROJECT THEREBY LEAVING THE GERMANS AND FRENCH TO USE THEIR MONIES ELSEWHERE FOR OTHER PROJECTS. UNFORTUNATELY, AS THE DONORS DECIDE AMONGST THEMSELVES WHO IS GOING TO PAY FOR WHAT, THE NATURKA PLANT CONTINUES TO REMAIN INOPERABLE.

18. AS AN INTERIM MEASURE, WORKERS AT THE NTARUKA PLANT ARE CURRENTLY DISMANTLING TWO OF THE MAIN TRANSFORMERS TO GET ENOUGH SPARE PARTS TO MAKE THE THIRD OPERATIONAL. RWANDANS ARE ALSO PRAYING FOR MORE RAIN TO ALLEVIATE AT LEAST SOME OF THE BURDEN OF THE RATIONING SCHEDULE. RWANDAN INDUSTRIALISTS WERE EVEN PROMISED THAT THEIR 6 HOUR ALLOTMENT OF ELECTRICITY WOULD BE INCREASED BY MID-OCTOBER. THE GOVERNMENT, OF COURSE, WAS BETTING ON THE RAINY SEASON STARTING. UNFORTUNATELY, NOT ENOUGH RAIN HAS FALLEN, MEANING INDUSTRY'S ALLOTMENT HAS REMAINED THE SAME.

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19. THE GOR HAS BEEN FOCUSING ITS ATTENTION ON POLITICAL ISSUES TO THE NEGLECT OF THE LOCAL ECONOMY. RWANDAN BUSINESSES ARE SUFFERING BECAUSE OF THE ENERGY CRISIS. YET, NO POSITIVE ACTION HAS BEEN TAKEN BY THE GOVERNMENT TO ADDRESS THE ENERGY NEEDS OF THE BUSINESS COMMUNITY. SUGGESTIONS TO ALLOW FOR EXPEDITED IMPORTATION OF GENERATORS OR KEROSENE TO RUN EXISTING GENERATORS HAVE BEEN IGNORED. YET AT THE SAME TIME, THE GOR IS DEPENDING ON THE LOCAL ECONOMY TO ABSORB MANY OF THE DEMOBILIZED SOLDIERS AND RETURNING REFUGEES WHO WILL BE LOOKING FOR EMPLOYMENT. IF VITAL DECISIONS ON THE ECONOMY AS A WHOLE AND THE ENERGY SECTOR IN PARTICULAR ARE NOT MADE SOON, THE NEW TRANSITION GOVERNMENT WILL NOT FIND MUCH OF AN ECONOMY TO MANAGE. END COMMENT. FLATEN

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